GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:672
ANSWERED ON:03.12.2004
VALUE ADDED TAX
Gadhavi Shri Pushpdan Shambhudan

Will the Minister of FINANCE be pleased to state:

(a) whether Value Added Tax is being implemented from 1st April, 2005 by various States/ UTs;

(b) whether the Government have decided to place tea and coffee in the highest bracket for proposed VAT rates to be introduced from 1st April, 2004;

(c) if so, what are the reasons for higher rate of VAT on Tea /Coffee as this will effect common man; and

(d) whether the Government would reconsider the decision for keeping tea/coffee at the minimum rate of 4 percent and if not, the reasons therefor?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE(SHRI S.S. PALANIMANICKAM)

(a): A meeting of the Empowered Committee of State Finance Ministers was held on 18.6.2004, in which there was a broad consensus among the States to introduce the State level VAT w.e.f. lst April, 2005.

(b), (c) & (d): As per Entry 54, List ll of the Seventh Schedule to the Constitution, tax on sale or purchase of goods is a State Subject. On the recommendations of the Chief Ministers' Conference held on 22nd June, 2000, an Empowered Committee of State Finance Ministers was constituted to deliberate on matters relating to implementation of VAT by the States/ UTs, including rate of VAT on various commodities. This Committee, after detailed deliberations, has decided to place tea and coffee in the 12.5% VAT rate category.